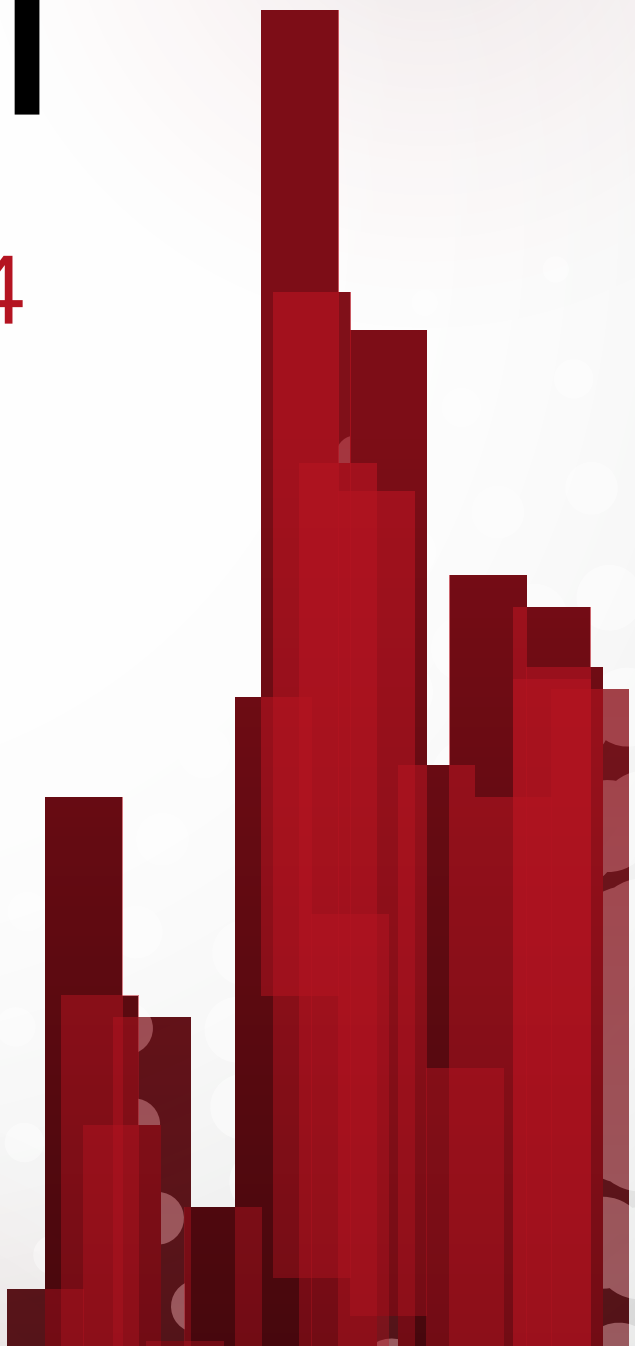


MONTHLY REPORT

OCTOBER 2024



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MACRO-ECONOMIC UPDATE

IMF downgrades Nigeria's growth rate for 2024 to 2.9%...

In the month of October, the International Monetary Fund (IMF) in its latest World Economic Outlook (WEO) revised Nigeria's economic growth forecast, projecting a 3.2% expansion in GDP for 2025. This adjustment marks a 0.2% increase over its previous projection in July. However, Nigeria's projected growth rate for 2024 was revised downward to 2.9%, underscoring slower-than-anticipated economic activity in the year's first half. Meanwhile, the IMF expects inflation to remain high at 25% in 2025, with a gradual reduction to 14% projected by 2029.

According to the IMF, Nigeria demonstrated resilience amid challenging conditions, with GDP growth rates of 2.98% and 3.19% in Q1 and Q2 of 2024, respectively. These figures surpassed the growth rates recorded for the same periods in 2023, despite a surge in inflation and the depreciation of the Naira. Notably, inflation, which had been on an upward trend since early 2023, began to decelerate in July 2024 before resuming its climb following a petrol price hike by the Nigerian National Petroleum Company Limited (NNPCL) in September.

On a global scale, the IMF forecasts economic growth to remain steady at 3.2% for 2025, unchanged from 2024 projections but slightly lower by 0.1% compared to the July 2024 outlook. The growth outlook for Sub-Saharan Africa was also adjusted, with the region now expected to grow by 4.2% in 2025, revised downward by 0.2 percentage points from April projections. Key factors affecting the region's growth include climate change-induced weather events, ongoing supply chain disruptions, slower economic growth in Nigeria, and a 26% contraction in Sudan's economy due to ongoing conflict.

Private Sector Activity Picks Up...

The latest data on Nigeria's private sector shows expansion for the second consecutive month in September, according to the Central Bank of Nigeria's purchasing managers index (PMI), which rose to 50.5 points from 50.2 in August. A reading above 50 indicates growth, with 23 of 36 subsectors reporting gains. The chemical and pharmaceutical sectors saw notable increases, though the transportation and warehousing sectors experienced declines. Activity levels in sectors like non-metallic minerals, petroleum, and coal remained stable. Cement emerged as the sector with the highest growth.

Despite encouraging signs in private sector activity, inflationary pressures driven by recent economic reforms—specifically exchange rate adjustments and the removal of petrol and electricity subsidies—have weighed on consumers' purchasing power. The Central Bank of Nigeria (CBN) has raised interest rates five times this year to combat inflation, but this has also raised borrowing costs, potentially dampening economic activity further.



EQUITIES MARKET

Domestic bourse drops 9bps...

The Equities Market experienced a slight decline in October, with the NGX-ASI down by 9 bps, closing at 97,651.23 points compared to 98,558.79 points in September. However, investor wealth increased by N2.53 trillion (+4.48%) to N59.17 trillion, up from N56.63 trillion, largely due to the listing of 4.34 billion Aradel shares at N702.69 per share. Other notable corporate actions included Seplat securing government approval to acquire ExxonMobil’s onshore assets for \$1.28 billion, a suspension of Oando’s shares due to delayed filings, and Transcorp’s share consolidation (one new share for every four previously held). This brought the Year-to-Date ASI return to 30.60%.

INDICATORS	31-Oct	30-Sep	%Change
NGX-ASI	97,651.23	98,558.79	↓ -(0.92%)
Market Cap (N'bn)	59,171.51	56,635.24	↑ 4.48%
Volume Traded (Units' m)	9,397.51	11,760.87	↓ -(20.10%)
Value Traded (b)	251.36	298.36	↓ -(15.75%)

Source: NGX, FCSL Research

Trading activity declined M-o-M, with trade volumes and values dropping by 20.10% and 15.27%, respectively. October's transactions totaled 9.39 billion shares valued at N251.36 billion, compared to 11.76 billion shares and N298.36 billion in September.

SECTOR	31-Oct	30-Sep	% Change
BANKING INDEX	989.65	944.48	↑ 4.78%
INDUSTRIAL INDEX	3,452.35	3,806.57	↓ -(9.31%)
CONSUMER GOODS INDEX	1,552.32	1,564.09	↓ -(0.75%)
OIL & GAS INDEX	2,307.45	1,990.84	↑ 15.90%
INSURANCE INDEX	447.16	429.93	↑ 4.01%
MAINBOARD INDEX	4,781.16	4,832.03	↓ -(1.05%)
NGX-30 INDEX	3,667.91	3,661.41	↑ 0.18%
PREMIUM INDEX	9,028.00	9,050.21	↓ -(0.25%)

Source: NGX, FCSL Research

Sectoral performance was largely positive, with three out of five major sectors recording gains. The Oil and Gas sector led with a 15.90% increase, driven by significant gains in SEPLAT (+38.92%), CONOIL (+12.68%), and OANDO (+8.54%). The Banking sector followed, rising by 4.78%, with gains in GTCO (+11.88%), ACCESSCORP (+7.04%), ZENITHBANK (+5.83%), and UBA (+5.30%). The Insurance sector also gained 4.01%, supported by positive movements in CORNERST (+9.16%) and SUNUASSUR (+22.94%).

Conversely, the Industrial Goods Index saw a decline of 9.31%, led by losses in BUACEMENT (-11.09%), DANGCEM (-10.00%), and BERGER (-9.95%), while the Consumer Goods Index fell by 0.75%, weighed down by DANGSUGAR (-11.62%) and NB (-4.11%).



Major Gainers

Symbol	Opening Price(N)	Closing Price(N)	% Change (+)
TRANSCORP	11.30	45.00	↑ 298.23%
EUNISELL	2.90	5.11	↑ 76.21%
MECURE	7.65	12.95	↑ 69.28%
UPL	2.17	3.38	↑ 55.76%
SEPLAT	4,103.10	5,700.00	↑ 38.92%
LIVESTOCK	2.99	3.87	↑ 29.43%
SUNUASSUR	1.70	2.09	↑ 22.94%
JBERGER	140.00	170.00	↑ 21.43%
TIP	1.90	2.30	↑ 21.05%
UNILEVER	19.15	23.00	↑ 20.10%

Source: NGX

Major Losers

Symbol	Opening Price(N)	Closing Price(N)	% Change (-)
TRIPPLEG	4.54	1.82	↓ -(59.91%)
REGALINS	0.75	0.48	↓ -(36.00%)
INTENEGINS	1.55	1.32	↓ -(14.84%)
CAVERTON	2.42	2.08	↓ -(14.05%)
UPDC	1.76	1.53	↓ -(13.07%)
DANGSUGAR	34.85	30.80	↓ -(11.62%)
CILEASING	4.40	3.90	↓ -(11.36%)
ELLAHLAKES	4.43	3.93	↓ -(11.29%)
BUACEMENT	110.00	97.80	↓ -(11.09%)
JAIZBANK	2.65	2.36	↓ -(10.94%)

Source: NGX

Market breadth improved to 1.21x from 0.87x in September, reflecting stronger sentiment with 54 gainers and 47 losers for the month.



OUTLOOK

In the month of November, we anticipate that market players would take a cautious yet strategic approach, closely analyzing the release of Q3 earnings to inform their positions. Current low valuations present compelling entry points, enabling selective positioning in undervalued stocks. Should there be delays in Q3 report releases, we may observe targeted accumulation in specific equities. Furthermore, market participants are likely to position in anticipation of the year-end rally, aiming to leverage the traditional seasonal momentum associated with the holiday period.

FIXED INCOME REPORT

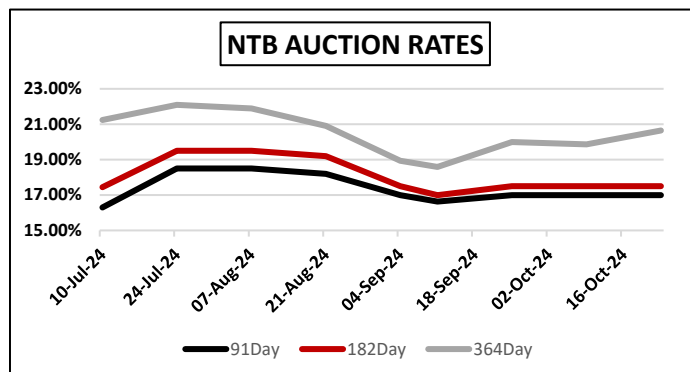
As of October 30, system liquidity stood at N357 billion, representing a 49.6% decrease from the previous level of N709 billion recorded on September 30. Coupon payments on Fixed income instruments and increased Standing Deposit Facility contributed to the surge in System liquidity in September compared to August while reduced Standing Deposits between September and October contributed to the decline. Open Buyback Rate (OBB) and Overnight (OVN) rates closed at 21.14% and 21.45% respectively as of October 31st. This is a 33% decline in OBB and a 33.8% decline in OVN respectively, compared to 28.03% and 28.72% in September.

Treasury Bills

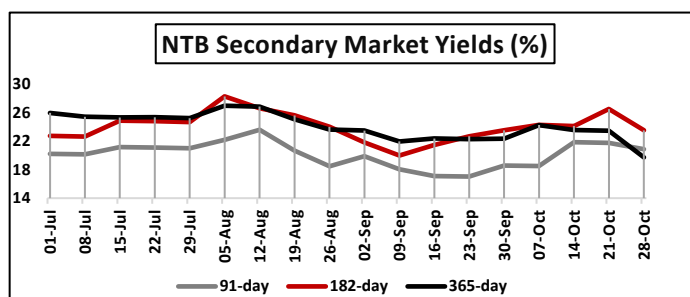
In the Treasury Bills auction held on October 23, 2024, total bids and subscriptions reached N16.8bn, N12.58bn, and N460bn for the 91-day, 182-day, and 364-day tenors, respectively. These were against offerings by the CBN of N13.1bn, N11.9bn, and N349.5bn for each tenor.

Investor demand was strong across all tenors, showing a clear preference for the longer-term bills. Specifically, subscriptions for the 364-day bills reached 1.31 times the amount offered, while the 91-day and 182-day bills had subscription-to-offer ratios of 1.29x and 1.05x, respectively.

As a result, the CBN sold the 91-day, 182-day, and 364-day bills at discount rates of 17.00%, 17.50%, and 20.65%, respectively.



Source: CBN



Source: FMDQ

In the secondary market, the average yield rose by 2.20% to 24.12%. This increase was driven by investor sell-offs across all maturities, with minimal demand at the short end, particularly for the December 2024 bills.



OUTLOOK

Looking forward, we expect the bearish trend to continue, driven by reduced net inflows and the potential for a rate hike at the final Monetary Policy Committee (MPC) meeting scheduled for late November.

Bonds

The results from the October 21 Sovereign Bond Auction showed moderate demand for the 19.30% April 2029 bond and significantly high subscription levels for the 18.50% February 2031 bond. A volume of N90 billion was offered for each tenor, totalling N180 billion.

For the April 2029 issue, subscriptions amounted to N60.7 billion, resulting in a subscription-to-offer ratio of 0.6x. In contrast, the February 2031 issue saw robust demand, with subscriptions totalling N389 billion and a subscription-to-offer ratio of 4.32x. Across both tenors, the total amount allotted was N289.5 billion, with new stop rates set at 20.75% for the April 2029 issue and 21.74% for the February 2031 issue.

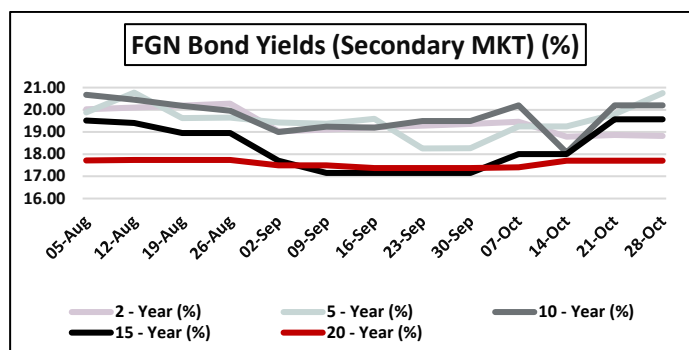
Earlier in July, the DMO reopened the 2033, 2031, and 2029 bonds, offering N100 billion across these tenors. The 2033 bond recorded the highest demand, with subscriptions of N200.65 billion in July, N314 billion in August, and N230.72 billion in September. As per the DMO’s recent auction calendar, auction dates are set for October 21 and November 18. Notably, the 19.89% May 2033 bond was not reopened for October, while the 19.30% April 2029 and 18.50% February 2031 bonds now have offerings ranging from N80 billion to N100 billion.

Looking forward, we expect the bearish trend to continue, driven by reduced net inflows and the potential for a rate hike at the final Monetary Policy Committee (MPC) meeting scheduled for late November.

Bond Auction Results							
Date	2027	2029	2031	2033	2034	2038	2053
Oct-24	-	20.75%	21.74%	-	-	-	-
Sep-24	-	19.00%	19.99%	20.05%	-	-	-
Aug-24	-	20.30%	20.90%	21.50%	-	-	-
Jul-24	-	19.89%	21.00%	21.98%	-	-	-
Jun-24	-	19.30%	19.75%	-	20.00%	-	-
May-24	-	19.27%	19.74%	19.89%	-	-	-
Apr-24	-	19.30%	19.75%	-	20.00%	-	-
Mar-24	19.94%	-	20.00%	-	20.45%	-	-
Feb-24	-	-	18.50%	-	19.00%	-	-
Jan-24	15.00%	15.50%	-	16.00%	-	16.50%	-
Dec-23	-	15.50%	-	16.00%	-	16.50%	17.15%
Nov-23	-	16.00%	-	17.00%	-	17.50%	18.00%

Source: DMO

In the secondary market, bond performance was bearish, with the average yield rising by 71 basis points to 19.49%, up from 18.77% in September. Increased supply was observed across the curve, while demand remained limited for mid- and long-tenor bonds, though there was some buying interest in the JUN 2033 and APR 2049 bonds.



Source: FMDQ

OUTLOOK

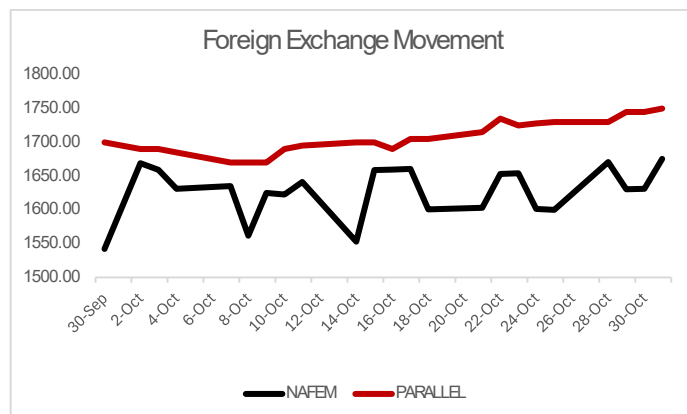
We expect that the performance of the domestic bond market will be driven by yield repricing ahead of the final MPC meeting of the year, as well as the expected coupon payment of N92.5 billion.

FOREIGN EXCHANGE

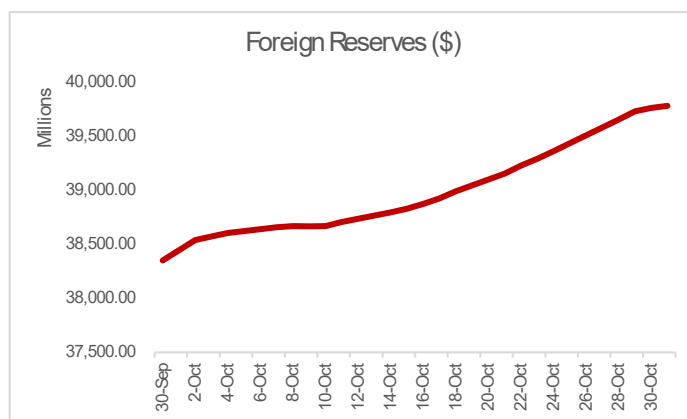
In October, the Nigerian Foreign Exchange Market experienced slight volatility against major global currencies. The Naira depreciated modestly against the Dollar by 4.18%, closing at 1670/\$ on October 31, compared to 1600/\$ at the end of September. Similarly, the Naira declined against the Euro and British Pound, depreciating by 1.4% and 0.63%, respectively, to close at 1814/€ and 2156.59/£, compared to the September 30 rates of 1789.15/€ and 2142.98/£.

Foreign reserves strengthened, rising 3.7% to \$39.78 billion from \$38.35 billion in September, largely fueled by foreign capital inflows, receipts from crude oil-related taxes, and contributions from third-party transactions.

Brent crude prices also improved, increasing by 0.26% to \$74.14 per barrel from \$73.95 in September 30. This recovery was spurred by renewed concerns over potential supply disruptions, as escalating tensions between Israel and Iran raised fears of a broader Middle Eastern conflict that could impact Iranian exports. However, a resolution to a political dispute in Libya—briefly halting oil exports—and relatively limited production interruptions from major hurricanes in the U.S. Gulf Coast, combined with subdued end-user demand, contributed to a stabilization in oil markets.



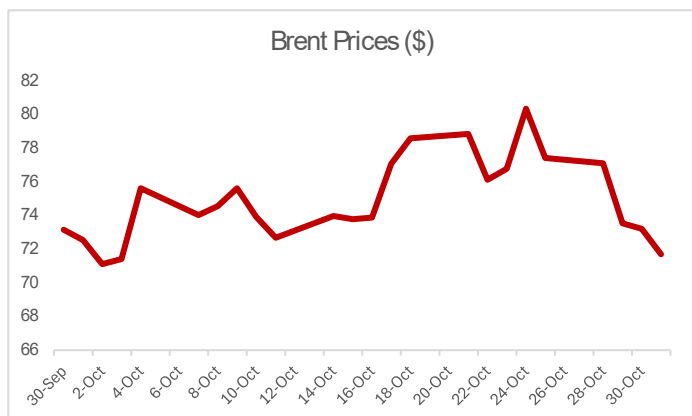
Source: Nairametrics, FCSL Research



Source: CBN, FCSL Research

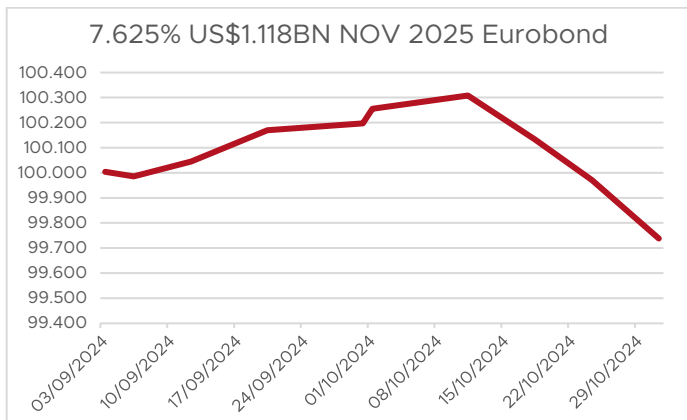
OUTLOOK

We expect Nigeria’s markets to remain pressured as monetary tightening persists. The upcoming MPC meeting in November may introduce further rate hikes, intensifying bearish sentiment in the fixed-income market amid weakened inflows, with FGN bond coupon payments projected to drop. Foreign exchange markets are likely to stay volatile, with high demand and limited supply impacting naira stability despite improved reserves. Overall, a cautious investor stance is anticipated, with a focus on high-yield instruments as markets recalibrate for a prolonged high-interest rate environment.

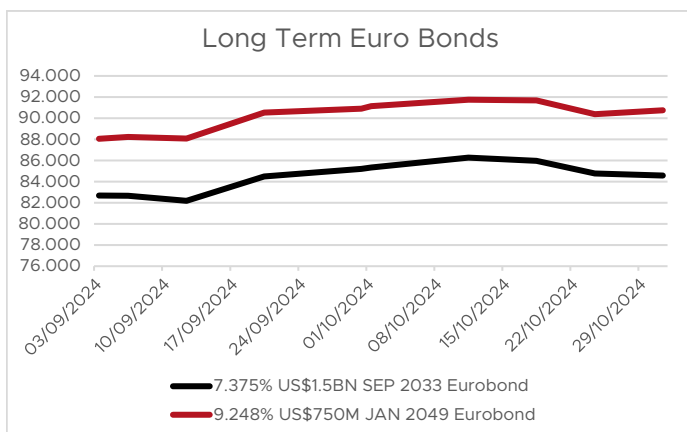


Source: Investing, FCSL Research

Euro Bond



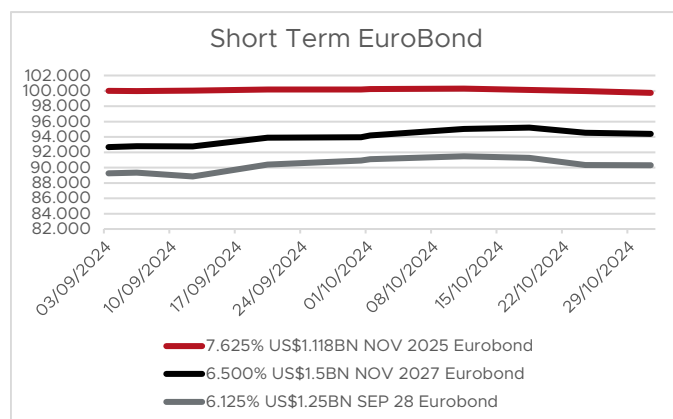
Source: DMO



Source: DMO

Short-dated bonds, however, showed minimal price fluctuations, with the 2025 and 2027 issues closing at \$99.73 and \$94.4, compared to \$100.19 and \$93.97 as of September 30.

With the conclusion of the elections, we anticipate a shift towards more bullish activity in the coming period. We also anticipate the subsequent positive effect of the Fed's rate cuts on the market to drive more bullish activities.



Source: DMO

In September, the Nigerian Eurobond market responded positively to the U.S. Federal Reserve's 50 basis point rate cut, with both short- and long-term bonds seeing upward movement. The 7.625% November 2025 Eurobond traded above \$100, while the 9.24% January 2049 and 8.25% September 2051 bonds experienced price increases, closing at \$90.9 and \$79.9, up from \$87.2 and \$76.07 in July, respectively.

However, October saw more bearish activity driven by election uncertainties, oil price volatility, and heightened tensions in the Middle East. Long-term Eurobonds were slightly impacted, with the 9.25% January 2049 and 7.37% 2033 bonds closing at \$90.75 and \$84.58, down from \$90.9 and \$85.21 at the end of September.



NOVEMBER RELEASE CALENDAR

Friday, 15 November 2024	CPI and Inflation Report October 2024
Monday, 18 November 2024	Liquefied Petroleum Gas (Cooking Gas) Price Watch October 2024 National household kerosene price watch October 2024
Wednesday, 20 November 2024	Automotive gas oil (DIESEL) Price watch October 2024 Premium motor spirit (PETROL) Price watch October 2024
Monday, 25 November 2024	Federation Account Allocation Committee (FAAC) (October 2024 Disbursement) Nigeria Gross Domestic Product by Output Report (Q3 2024) Pension Asset and Membership Data (Q3 2024)
Wednesday, 27 November 2024	Demographic Statistics Bulletin 2023 Sectoral Distribution of Value Added Tax (Q3 2024)
Friday, 29 November 2024	Nigeria Capital Importation (Q3 2024) Nigeria Labour Force Report (Q3 2024)

Sources: CBN, DMO, NGX, Investing, FMDQ, FCSL Research

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